

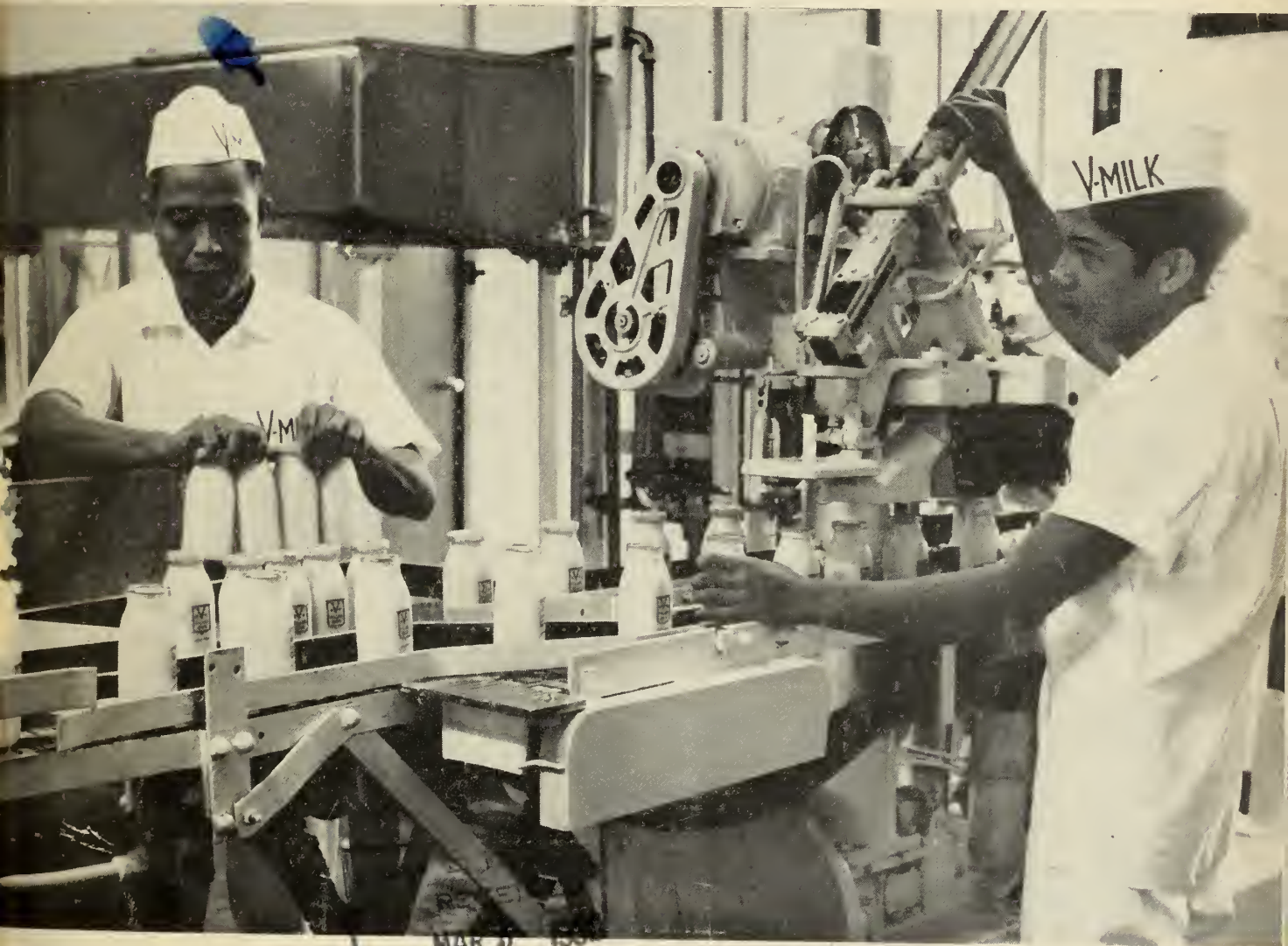
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FOREIGN

FEBRUARY
1956

AGRICULTURE



Rice Export Problems

Are U. S. Farm Exports Low?

The Far East and U. S. Tobacco



UNITED STATES DEPARTMENT OF AGRICULTURE • FOREIGN AGRICULTURAL SERVICE

To report and interpret world
agricultural developments.

Meeting World Market Competition

Beginning on page 8, we are told that U. S. agricultural exports are greater than the average of the past 30 years.

Beginning on page 20, we are told that farm production is up over most of the world. . . "The world has the greatest abundance of agricultural products it has ever known."

U. S. agriculture is doing pretty well in the world marketplace, considering the increasing competition. But we must remember, too, that a sizable volume of our farm exports is due to government programs. For example, little wheat would be moving abroad except for such programs.

The ideal is one of U. S. farm products moving abroad with an absolute minimum of government aid. This requires two conditions:

1. Our farm products must be the kind that foreign customers want and must be competitive in price and quality;

2. Our products must have equal "access" to foreign markets. Too many countries, because of dollar shortage or desire to be more self-sufficient, limit entry of U. S. farm products.

Private industry is best equipped to supply desirable and competitive farm products to foreign markets. Government is best equipped to work on relaxation of trade barriers.

The fact that the two are working closely together in meeting this challenge gives strong hope for continued high level exports of American farm products.

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U.S. rice harvests in the last 3 years are more than double the production prior to World War II. The key to the solution of disposing of surplus stocks lies with the Asian rice-importing countries where a slight trend toward increasing consumption is evident.

U. S. RICE

In World Trade, 1956

By DEXTER V. RIVENBURGH and
L. THELMA WILLAHAN
Grain Division, FAS



The United States as of January 1956 had on hand nearly one-fourth of the world's rice available for marketing this year, and for the first time has carryover stocks larger than those of any other nation. This situation developed during the last 3 years when U. S. rice harvests were more than double the production prior to World War II and rice exports were declining. Furthermore, in 1955 when the United States followed a conservative policy in marketing rice, Burma and Thailand, the world's chief rice exporters, disposed of large carryover stocks as well as nearly all their new-crop rice.

What are the prospects for the United States' disposing of an increased share in the world's rice exports during 1956? No answer is readily available without some explanation of the surplus situation.

Why We Have a Surplus

World shortages both during and after the war caused a strong demand for rice in foreign countries. This demand reached a peak in 1952 and was heaviest in the importing countries of Asia. The United States was exporting rice at a relatively favorable price and had no trouble finding markets;

consequently U. S. rice acreage continued to expand.

By 1955, burdensome surpluses began to appear in the principal rice-exporting countries, including the United States. For the 1955 crop, therefore, U. S. acreage allotments were reduced 25 percent below the record of 1954. This resulted in a harvest of around 2.4 million metric tons of rough rice, as compared with 2.9 million tons in 1954. With carryover stocks added to this figure, U. S. rough rice supplies for the 1955-56 marketing year will total 3.7 million tons, of which approximately 2.4 million tons (1.7 million tons of milled rice) are available for export. The year before, 450,000 tons of milled rice were exported.

While North America had a smaller rice crop in 1955, princi-

pally because of acreage cutbacks in the United States, it is the only continent in that position. Excluding the output in Communist China, North Korea, and the USSR, the 1955-56 world production of rough rice is forecast at 3 percent larger than that of the previous year, and only 20 percent above the postwar 1945-49 average. The principal gains are in Asia, notably Japan and Thailand. However, Europe has a good harvest, Africa is expected to produce the largest crop in history, and prospects in South America indicate an increase.

An increase in the world rice crop does not mean a correspond-

Thai farmer transplants rice seedlings. Thailand's rice figures prominently in the larger world rice crop forecast for this year.



ing gain in the volume of international trade in rice. Only about 5 percent of world production moves in world trade channels, and this 5 percent in 1956 represents exports of from 5 million to 6 million metric tons of milled rice, with Burma, Thailand, and the United States the principal exporters. Lesser tonnages are available in Italy, Egypt, Formosa, Communist China, Brazil, Spain, and other countries.

Factors Limiting Exports

Decisions of importing countries are more important than the level of supply in determining trade volume. Rice has not moved in an international free market since before World War II; in fact about 92 percent of world rice trade is subject to restrictions imposed by various forms of government controls, the United States being one of the few countries with its rice trade not restricted.

Naturally, these controls are impediments to U. S. trade, and this year U. S. rice exporters will encounter them in various forms, such as government monopolies, government-to-government trade agreements, barter agreements, export and import controls, subsidies, import duties, import quotas, currency controls, preferential tariffs, and rebates. Something of the magnitude of these barriers

	EXPORTING COUNTRIES:						
	Complete monopoly	Trade agreement	Export control	Subsidies	Barter	Tie-in sales	Tax reduction Rebates
Australia			X				X
British Guiana		X					
Burma	X	X	X		X		
Communist China	X	X	X		X		
Ecuador	X	X	X	X			
Egypt	X	X	X		X		X
Greece		X	X			X	
Iran		X			X		
Italy		X	X			X	X
Pakistan	X	X			X		
Peru		X	X	X			
Spain		X	X	X			
Taiwan	X	X	X				
Thailand	X	X	X		X		
Turkey		X	X	X			
Uruguay		X	X	X			

to free trade is indicated in the tabulation below.

In 1955, for example, of the 3 million metric tons of rice exported by Asia, government-to-government agreements, including barter deals, accounted for the moving of the largest share. According to preliminary information, most, if not all, of the substantial increase in the world rice trade last year resulted from new barter arrangements between the Asian rice-exporting countries and the USSR and the satellite nations, and between Communist China and other countries.

Lack of a free trade market for rice has also helped maintain the shift to cheaper cereals that took place after the war, first because

of a scarcity of rice and later because of high prices. Rice imports into the Far East used to amount to 7 million tons, and were supplemented by about 1 million tons of other cereals. At the present time, they amount to about 4 million tons, plus about 7 million tons of other cereals.

Other factors affect U. S. rice exports. These are: (1) lowering of prices in foreign government-to-government agreements below those of commercial sales, (2) U. S. domestic prices, (3) importers purchasing rice of lower quality than that customarily exported by the United States, (4) the high freight rates on U. S. ships, and (5) declining prices of other cereals.

(Continued on page 22)

	IMPORTING COUNTRIES:							
	Complete monopoly	Trade agreement	Barter	Centralized purchase	Import duties	Import quota	Limitation of imports	Currency control Preferential tariff
British West Indies		X					X	X X
Ceylon	X	X	X	X				X
Colombia					X	X		
Communist China	X	X	X	X				
Cuba					X	X	X	
East Germany		X	X					
France					X			
Hong Kong							X	
Hungary	X	X	X					
India		X		X		X		X
Indonesia	X	X	X	X		X		X
Japan	X	X	X	X		X		X
Malaya							X	X
Philippines	X	X	X	X		X		
Poland	X		X	X				
United Kingdom		X					X	X X
West Germany		X						X
U. S. S. R.	X	X	X					
Venezuela						X	X	

Uruguay Increases Its Iron Curtain Trade

Uruguay's foreign trade seems to be changing its direction. Uruguayan exports to the United States are undergoing a marked decrease; those to the Soviet Bloc, a significant increase.

Uruguay is now doing considerable bilateral trading in soft currencies with Eastern European countries. One reason for this trend is Uruguay's dollar shortage, caused by a decline in its sales to dollar areas. Another is that the Soviet is providing a better market. Under a "banking" agreement with the Soviet, Uruguay shipped about \$20 million worth of meat and wool to the Soviet Union in 1954, but has so far received in return an insignificant amount of goods and services. Uruguay's large credit balance may pose a problem in continuing this trade unless Uruguay can use up its credits. Consequently Uruguay has opened up import quotas for Soviet Bloc goods, perhaps including cotton, valued at \$4.4 million, or 57 percent of the total import quota recently announced for first category goods.

In 1951, Uruguay sent 43 percent of its exports to the United States. In the first 6 months of 1955, it sent only 10 percent. Its 1951 exports to the Soviet Bloc had amounted to only \$578,000 out of its total of \$236 million. But in the first half of 1955, it shipped the Soviet Bloc countries more than 11 times as much—\$6.7 million out of its \$89 million total. All these 1955 shipments were agricultural products: \$2.2 million were of wool; \$1.4 million, of cattle hides and sheep skins; \$1.3 million, of wheat; \$1.1 million, of frozen meat; and \$464,000, of linseed oil.

Uruguayan imports from Iron Curtain countries are increasing too, though the change is less marked than for its exports. The United States furnished 29 percent of Uruguay's imports in 1951; that share declined to 20 percent for the first half of 1955. Meanwhile, the



Yugoslavia to Buy 88 Million Pounds of U. S. Lard

SECRETARY OF AGRICULTURE Ezra Taft Benson (right) and Ambassador Leo Mates of Yugoslavia are shown discussing Yugoslavia's recent agreement to make a big purchase of lard from the United States.

On January 19, an agreement was reached, whereby Yugoslavia may purchase from U.S. suppliers up to 88 million pounds of lard (valued at \$10.8 million), under Title I of Public Law 480. Yugoslav currency will be accepted in payment.

Seed Oils to Supplement Low '55 Olive Oil Crop

With olive oil production from the 1955 crop in the Mediterranean Basin one-fifth lower than it was in 1954, relatively heavy imports of vegetable seed oils will be necessary to meet domestic requirements in this area—particularly if exports of olive oil are to be maintained.

Normally 1955 would have been a year of high production in the Mediterranean region, but adverse weather, coupled with heavy insect damages and certain plant diseases, has cut down the output sharply, so that the forecast is for about 777,000 short tons of oil as against 1,029,000 tons last year. This shortage is particularly significant in that it cannot be offset by carryover

stocks. Fortunately, world supplies of most other edible vegetable oils, principally soybean, cottonseed, and peanut oils from 1955 crops, are expected to be large, particularly in the United States.

Spain, which drew heavily on U.S. soybean oil in 1950-51 when the olive crop was poor, already has been authorized to purchase \$25 million worth of edible oils under an amendment to last year's Public Law 480 program. Greece, in addition to prohibiting the export of olive oil, has purchased from the United States 16,300 short tons of oil, and is expected to need additional supplies. Italy, which usually imports around 100,000 tons of vegetable oils, in 1956 will require from 175,000 to 200,000 tons.

The North African olive crop is down sharply, with Tunisia's crop considerably less than half of its 1954 production. The Middle East countries are also affected, Turkey showing a decline of about 20,000 tons.

The Future of Argentina's IAPI

Competitors Keep Eye on Trading Monopoly Now Facing Liquidation

By Constance H. Farnworth
Latin American Branch, FAS

World exporters of agricultural products, including the United States, are watching closely the future of Argentina's IAPI, the Instituto Argentino de Promoción del Intercambio. This is Argentina's state trading agency that for 10 years has provided stiff competition in world trade in grains, vegetable oils, and other commodities. Under Argentina's new provisional government, the IAPI is apparently headed for liquidation.

About the middle of November, the new government signed a decree setting up a commission to liquidate IAPI. The job will probably take about a year. For the present, the special organizations dealing in grains and meats for IAPI will remain active.

Undoubtedly the liquidation of IAPI will have a pronounced effect on world marketing of those products traditionally exported by Argentina. The possible effect may perhaps best be shown by reviewing the organization's operations over the past 10 years.

How IAPI Operates

Established in 1946, IAPI has served a fourfold purpose as exporter, importer, government purchasing agent, and government agent in transactions involving interchange of goods covered in trade agreements between Argentina and other governments.

In all of these activities, IAPI, through the government policies which it has represented and carried out, has exerted considerable influence on world commerce as well as on the general economy of

the country. Gradually it took over a large share of the country's trade until it came to control most of Argentina's agricultural and livestock products—products that make up over 90 percent of Argentina's exports. It determined local purchase prices and export prices for these products, established margins for processors, and administered subsidies. It purchased commodities in foreign countries for various government departments and projects, and controlled all foreign purchase and domestic distribution of crude rubber.

IAPI as Exporter

For many of Argentina's most important commodities, such as grains and flaxseeds, IAPI has been the sole purchaser from the farmers and, therefore, has directly controlled all trade in these commodities, both domestic and overseas. These same agricultural products are also important U. S. export items; for example, sales by IAPI put Argentina in third place as a world exporter of grains during 1954-55 (July-June marketing season), and second—the United States ranks first—as exporter of flaxseed, in terms of oil, during 1954.

In its export operations, IAPI usually has not taken physical possession of the commodities it buys from farmers, but has allowed private traders and other government corporations, such as the Instituto Nacional de Granos y Elevadores, that carry on trade on a government-to-government basis, to export under prices fixed by IAPI in accordance with the demand of

importing countries. Nor has IAPI handled the currencies involved, since this is the function of the Banco Central. In most cases, the only marketing responsibilities of IAPI have been the setting of prices and approval of sales, which means that foreign buyers deal directly with export companies after they have agreed with IAPI on price and conditions of sale. IAPI takes a percentage of the profits, leaving to the private trader a profit margin determined by the trade institute, which in effect amounts to a commission.

This monopolistic system has two aims: To control domestic prices of goods to be exported and to make a profit for the government through export transactions. For several years the latter was the more important. IAPI was able to keep domestic prices low by setting the price to producers and, even though the farmers considered this price too low for a reasonable profit, they had to accept it because of IAPI's export monopoly. IAPI, in turn, in its export operations charged about as much as the traffic would bear—which brought a handsome profit to the government during those years when there was an urgent world demand for agricultural products, especially grains and flaxseed.

The policy of setting low prices for producers in time had its bad effects. Production was discouraged, with the result that ever since 1952 the trade institute has had to increase domestic farm prices. These increased domestic prices together with the downward

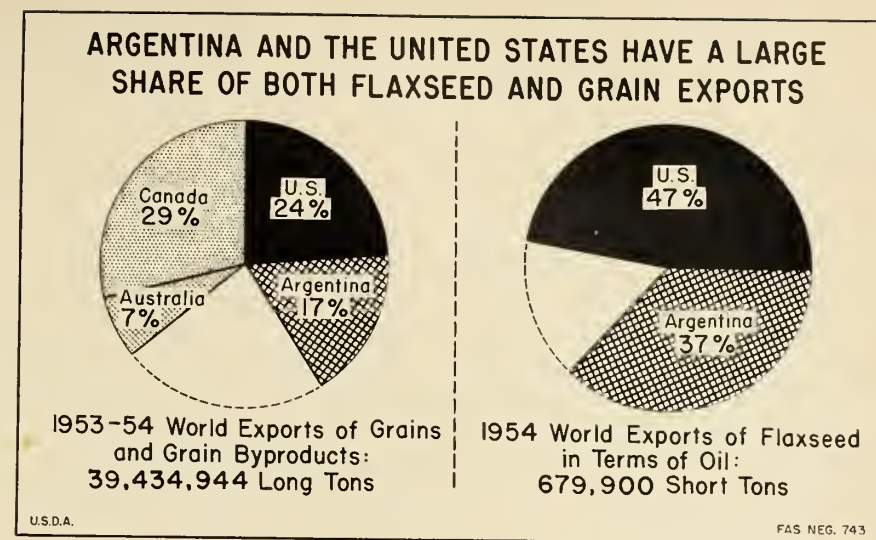
IAPI, as the sole purchaser from the farmer of both grain and flaxseed, has directly controlled all trade in these commodities, which are also important U.S. export items.

trend in world commodity prices cut down the heavy profits of IAPI.

With the continued use of the basic exchange rate of 5 pesos to the dollar applicable to commodities exported by or through IAPI, the guaranteed prices to the farmers became higher than the peso equivalent abroad. Just how this resulted in a loss to IAPI may be illustrated as follows:

The domestic prices which IAPI paid for wheat in 1952, 1953, and 1954 were 50 pesos per quintal (220.46 pounds). To this was added at least 10 pesos to cover the cost of marketing and delivery at the port and other charges. At a world price of \$2.00 a bushel, a quintal would bring \$7.35 in foreign exchange. At the rate of 5 pesos to the dollar the Central Bank paid approximately 37 pesos for \$7.35 of exchange. Thus the peso loss would be in the neighborhood of 23 pesos, or about 38 percent of the cost of each quintal of wheat exported.

As long as the Central Bank could make large profits on foreign exchange through the spread between the buying and selling foreign exchange rates, it could partially offset IAPI's losses from the use of these profits. Of late, however, the Central Bank's margin of profits on foreign exchange has fallen off because it had to increase its buying rates for many commodities not imported by IAPI. According to an official report, IAPI's losses in 1953 were 2,185 million pesos, or approximately \$137 million at the basic rate of 5 pesos to a dollar. These heavy losses, which increased in



1954 and 1955, have been an important inflationary factor.

IAPI's Other Roles

IAPI's role as importer does not assume the proportions of its position as exporter. In 1946, when many items were put under import control, the quotas established were allocated entirely to IAPI. This promised to grow into an important monopoly for IAPI, but shortly thereafter Argentina's exchange position worsened. All imports were put under a system of exchange permits, and control of imports was placed in the hands of the Central Bank, with IAPI retaining quota control.

As government purchasing agent, IAPI accounted for slightly over 20 percent of total Argentine imports in 1953. Actually, one of the main reasons which prompted Argentina to establish a state trading agency was its desire to have a competent organization through which it could purchase abroad on the most favorable terms. Using the profits of its export operations, IAPI made large-scale purchases, principally of machinery and transportation equipment, in a keenly competitive market.

Lastly, IAPI has implemented the terms of various trade agreements made by the Argentine Government. Except for trade with the United States and other dollar area countries, Argentina carries on most of its trade by these trade and payments agreements, which

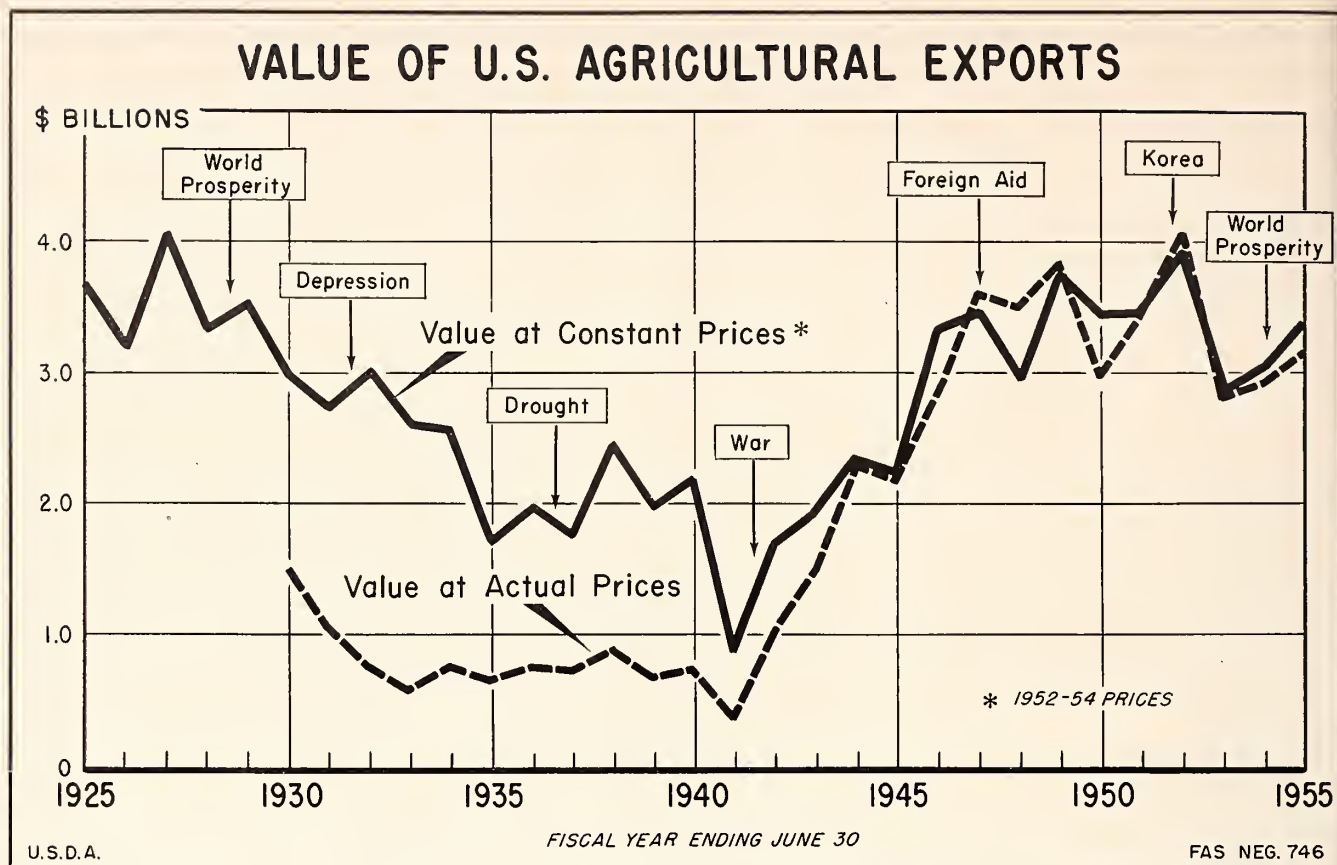
are in operation with some 26 countries and through which Argentina pledges large quantities of its agricultural surpluses.

Trade Outlook

With IAPI's control over some 70 percent of Argentina's agricultural exports about to be nullified, along with the enactment of other government policy changes, some further strengthening of Argentine trade is anticipated.

Argentina has adequate resources to exceed the present production and export level of agricultural products. With policies more favorable to agricultural production and trade, therefore, Argentine competition in the export market should increase. With this in mind, the new administration of Argentina in its attempt to build up the economy of the country has set in motion various policy changes. They include a substantial increase in prices to producers of cereal grains and oilseeds, with a liberalized distribution system; the scrapping of the second Five Year Plan; the establishment of a National Economic Restoration Fund, part of which is to be used for technological and economic advances in agriculture and livestock; the abandonment of controlled prices with the substitution of minimum prices; and the adoption of a single foreign exchange rate (18 pesos to the dollar) more favorable for exports.

(Continued on page 22)



Agricultural Exports: Where Do They Stand Today?

By HENRY HOPP
Trade Statistics and
Economic Geography Branch, FAS

Are U.S. agricultural exports at a low level? Viewed in historical perspective, they are not.

The impression that U.S. sales in foreign markets are small has been created by the sudden drop in exports at the end of the Korean war and the piling up of government stocks. But, confronted with the impact of these events, one can too easily overlook the fact that American agriculture is geared primarily to the long-term market.

The level of U.S. agricultural exports can be seen in historical perspective in the chart above. The present is an era of world prosperity: consumer's income and agri-

cultural production are up, both here and abroad. The last similar era was in the 1920's. Between these two periods lie depression, drought, war, and recovery. These far-reaching events have brought about great changes in U.S. agricultural exports.

In the chart, the broken line traces these changes in value at the **actual** prices of the commodities exported. However, as we know all too well, the purchasing value of the dollar has been decreasing over the years. So the value of agricultural exports at actual prices is a poor measure of the trend in exports. It confuses changes in the quantity exported with changes in the purchasing power of the dollar. A more cor-

U.S. agricultural exports in 1955 stood far above the average of the past 31 years. More, they came close to the high level of the late 1920's—years of world prosperity like the present—and the late 1940's—years of world recovery and massive U.S. aid to foreign countries. This export situation comes out clearly when value is calculated not at the **actual** prices of the commodities over the years but at **constant** prices, based on the average for the three latest complete years.

rect measure of export trends comes from calculating the value of the individual commodities at **constant** prices—average prices during the latest complete 3-year period (1952-54) available. The resulting trend is shown on the chart by a solid line.

These are the significant facts that the solid line shows:

(1) Agricultural exports in 1955¹ stood at \$3.37 billion, 22 percent above the 31-year average of \$2.76 billion.

¹ Years referred to in this article are by fiscal periods ending June 30 of the year named.

**U.S. Agricultural Exports: 1953-55
as a percent of 1925-29***

Commodity	Percent
Fats and oils (incl. oilseeds and products)	248
Grain (other than wheat) . .	177
Wheat (including flour) . . .	144
Tobacco (unmanufactured) . .	101
Fruit	86
Cotton (unmanufactured) . . .	39

* Yearly averages.

Palm Oil and Kernel Exports May Decline

World exports of palm oil and palm kernels during 1955 may not have reached the new heights of 1954, which continued a steady upward progress that raised trade well above even the high prewar levels.

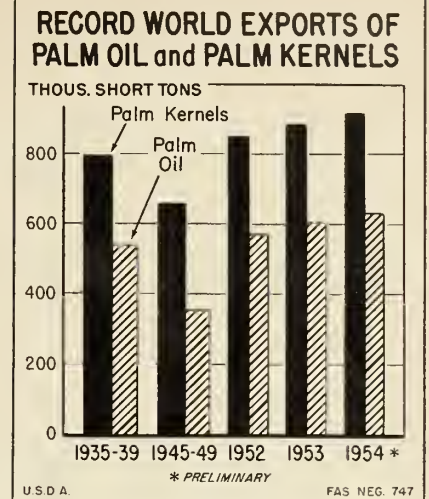
For production of both oil and kernels, exports are so far the only real measure. Exports have been going up. But there is evidence that increasing amounts are being used by the producing countries.

Africa and Southeast Asia are the main producers of the palm fruit that yields the oil and kernels; Western Europe is the main market. The United States used to be the world's largest importer of palm oil. In 1951, however, though it bought nearly twice as much as the year before, it was still importing only about a fifth as much as before the war.

Chief importer in 1954 was the United Kingdom, which took 186,000 tons of oil and 339,000 of kernels. Even so, its imports of both were well under those of pre-

effect of increased consumption abroad and governmental programs at home to stimulate exports.

These overall trends should not lead us to overlook this important additional fact: Over the years, there has been a startling shift in the pattern of U.S. agricultural



vious years. Western Germany and the Netherlands were close together in second place for palm oil, each with around 105,000 tons. For kernels, Germany and its 179,000 tons shared second place with France and its 164,000.

Nigeria, chief exporter, shipped 234,000 short tons of oil and 520,000 of kernels in 1954. Indonesia and the Belgian Congo were next for palm oil, with about 150,000 tons each. For kernels, French West Africa was second, with 90,000 tons.

Palm oil—the solid yellow or reddish fat obtained from the flesh of the palm fruit—has many uses, depending on its grade. It can be a food, an ingredient for soap and candles, a coating for iron plates to be tinned, a lubricating grease.

Palm kernels are the seed of the same fruit; when crushed, they yield about 45 percent of palm kernel oil—whitish edible fat of different composition from palm oil. Similar to coconut oil, palm kernel oil is used in the same ways: for soap, margarine, and the like.

trade. Exports of wheat, other grains, and fats and oils have expanded considerably over the level of the 1920's. On the other hand, exports of cotton and fruit are now below that level. These shifts point up the problems and opportunities for American agriculture in a changing world market.

Key To World Markets Is Both Foreign and Domestic

By GWYNN GARNETT
Administrator, FAS

Domestic Programs And Exports

Domestic farm programs play a key role in our efforts to maintain and expand foreign markets, as well as the domestic market. . . . Exports alone cannot solve our surplus problem. The major market for our farm products has been and will continue to be right here at home. The domestic market absorbs far more than half of our domestic production of the principal export products and over 90 percent of the total production of American farms.

The high level of domestic employment and business activity that has been achieved has brought the total domestic and foreign utilization of American farm products to an all-time peak in 1955.

Despite this growth in total markets for our farm products, we are confronted with a serious farm problem. Farm families have not shared fully in the prosperity of the national economy. To a major degree this has been a consequence of faulty programs. Rigid price supports have impeded the development of our markets, both here and abroad. They have distorted our production patterns. As a result, billions of dollars worth of farm products have accumulated in the hands of the Commodity Credit Corporation, production restrictions have become necessary, subsidies have to be used to move farm products, and efficiency of

both production and marketing has been impeded.

There are, of course, many considerations in framing better farm programs. One consideration should be their effect on the export market. The aim should be to create the maximum foreign demand on U.S. farm resources—a maximum total foreign market.

To achieve such an objective for exports, farm programs must have certain characteristics—and must not have others.

With respect to exports, farm programs should assure three principles:

1. That the kinds, varieties, and qualities of commodities demanded abroad are produced.

2. That the levels of prices are competitive and do not stimulate competing production, and that the mechanism of pricing gives our products an equal chance in the market.

3. That farm products move through channels of private trade so as to assure the most vigorous merchandising efforts.

Programs based on these principles will overcome impediments that the present programs have placed in the way of expanding markets at home and abroad. We are short of wheat of the varieties for which markets—especially export markets—could be expanded, while less desirable grades of wheat pile up in the Commodity Credit Corporation. The better grades of cotton move into the domestic and the foreign market; the lower grades accumulate in Commodity Credit Corporation hands.

The high rigid levels of price

supports have encouraged production abroad in both importing and competing exporting countries—in cotton, wheat, rice, and others. The high rigid price support levels have seriously damaged our export markets.

The U.S. Government, through the Commodity Credit Corporation, has become the buyer, the pricer, and the seller for export of wheat, cotton, rice, and dairy products. However, when the government finds itself cast in the role of trader, the interests of producers are necessarily subordinated to the wider objectives of the government.

Farm programs based on the three principles that will assure competitive quality, pricing, and merchandising are essential for expanding markets.

In expanding our agricultural export markets, our objectives must be twofold: We must strive to maintain our share in the markets that, for reasons beyond our control, are shrinking, and to expand our share in the markets that are growing.

There are four avenues of approach to these objectives. In each, farm leaders have an important role to play.

1. Domestic farm programs that help—not hinder—expanding markets.

2. Continuation of our general trade program and, within this program, continued pressure by the U.S. Government, with the support of American farmers, on foreign governments to give our agricultural products freer access to their markets on a competitive

Excerpts from Mr. Garnett's recent statement before the Joint Commodity Conference, American Farm Bureau Federation.

and nondiscriminatory basis.

3. Special export programs such as sales for foreign currencies and barter.

4. Market development through the expanded Foreign Agricultural Service, and through sales promotion programs and agricultural trade fairs abroad. . . .

Much remains to be done in expanding foreign markets. To a large extent, success will depend on the policies and programs, the efforts, and the participation of farmers and farm organizations of America.

Trade Agreements Program

. . . The retention of foreign markets for our agricultural products depends in large measure on restoration of multilateral and nondiscriminatory world trade. The Trade Agreements Program is directed toward this objective.

Continued support for a strong trade agreement program, and more specifically for U.S. participation in the Organization for Trade Cooperation, GATT, and the International Monetary Fund, will yield rewards to U.S. agriculture. A sound general U.S. foreign trade policy is an essential element in gaining access to foreign markets for U.S. farm products on a competitive and nondiscriminatory basis. . . .

Foreign tariffs have been reduced or bound on about one-half of our agricultural exports under the Trade Agreements Program and a further round of negotiations is in prospect for 1956. Under the strong and constant urging of this country, other countries are now taking steps to relax their quantitative restrictions against imports of U.S. agricultural products.

Recent developments in British trade policy illustrate the benefits of the U.S. trade policy to agriculture. The United Kingdom now freely imports cotton and wheat from the dollar area, allocates substantial amounts of dollars for U.S. tobacco, has freed tallow and linseed from import restrictions, and has relaxed controls on lard and

Cover Photograph

First Recombined Milk Plant Opens In Manila

The cover photograph on this issue shows Filipino workers bottling milk at the first recombined milk plant in the Philippine Republic. The plant was opened in Manila last October.

By combining U.S. nonfat dry milk with deffavored Philippine coconut oil, the plant turns out 15,000 gallons of milk a day. The

consumer price is lower than that of fresh milk, which throughout the Philippines is very scarce.

The photograph below shows the plant's milk bar, where a glass of recombined milk sells for 10 centavos, or approximately 5 cents. Ice cream is also made from the milk, and plans are under way for canning the milk.



Photo by U.S. Information Service, Manila

cottonseed oil. It has agreed to take various U.S. fruits in modest amounts, under special programs. This progress has been made in spite of the pressure for domestic protection, and pressure for preferential treatment for Empire and European sources. Except for the General Agreement on Tariffs and Trade, the latter pressure might have succeeded in permanently excluding U.S. goods.

Largely as a result of the trade agreement and the general trade policy of the United States, American agriculture has gained access to markets without license or foreign exchange controls in:

Germany and Denmark—for cotton, tobacco, soybeans, and other products;

Netherlands and Belgium—for most farm products, except fresh fruit;

Sweden—for cotton, rice, and dried fruit.

Man—and a Few Inches of Topsoil

The story of man and his relationship to a few inches of topsoil has ever been at the core of the larger story of men and their civilizations.

Some 4 years ago, more than a hundred men and women came to Madison, Wisc., to share their knowledge of this relationship. They came from 40 countries on 6 continents at the invitation of the United States Government and the University of Wisconsin.

The proceedings of this conference are reported in *LAND TENURE* (\$10.00), just issued by the University of Wisconsin Press. Skillfully edited by Kenneth H. Parsons, Raymond J. Penn, and Philip M. Raup, its 793 pages add up to a notable reference work on tenure problems all over the world.

Small-Farm Development —In Italy

In an attempt to assess what has been accomplished in the 5 years that Italy's small-farm program has been under way, Herbert K. Ferguson, U.S. assistant agricultural attache in Rome, recently visited the important small-farm projects in southern Italy, interviewed farmers and government officials, and took the pictures shown here.

Although more than 1.5 million acres have been expropriated from large estates and over 90,000 families settled on the redistributed lands, this effort affects such a small percentage of the population and of the arable land that economically it has not changed Italy's agrarian pattern. But as a social experiment it is transforming the lives of many Italian farmers who, like their forefathers, have lived under wretched, feudal conditions.



Typical of the settlers on which has just arrived to to cult b



This medieval estate in Metaponto, with its one-room peasant cottages, was a typical latifundium before it was divided into small farms. Below, the entrance to a cave in Matera. Superior to most above-ground dwellings, it rented for \$10 a month.



As soon as new farms are ready, families are moved out of huts like this where eight persons, a mule, and chickens occupy one room. Below, kitchen chores in one of Matera's soot-blackened caves. New houses have light kitchens and modern equipment.





...ts is this attractive young family,
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Small-farm houses are a great contrast to the airless caves and damp hovels where most of the settlers had lived previously. Nearly all farm units are provided with small stables for livestock.



...ss farmer in Calabria prepares ground for sowing wheat. If
...he works 150 days a year, earns about \$250. Below, bulldozer
...by small-farm agency. So far, 4,000 tractors have been bought,
...1,650 miles of roads built, and 240,000 acres irrigated.



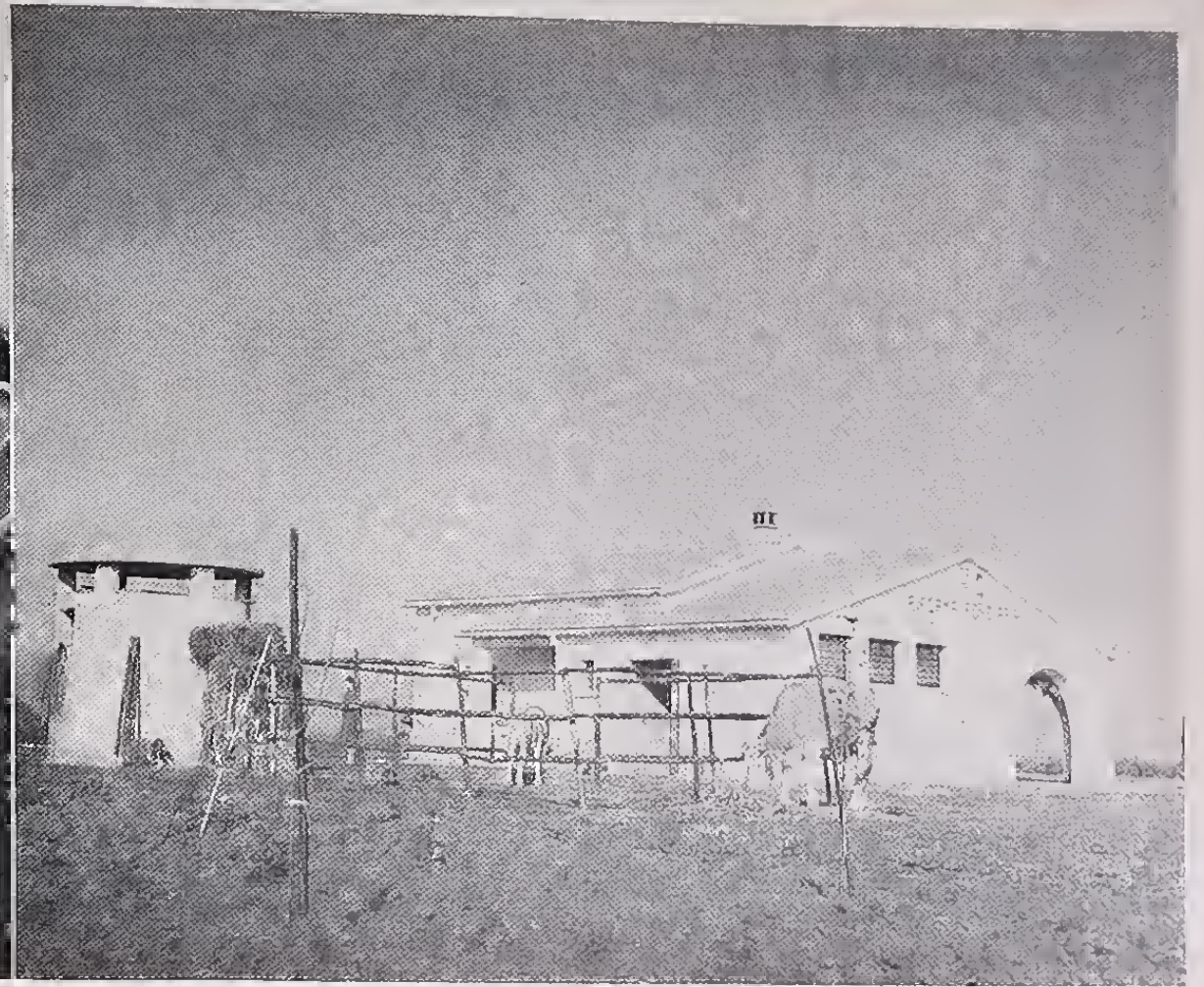
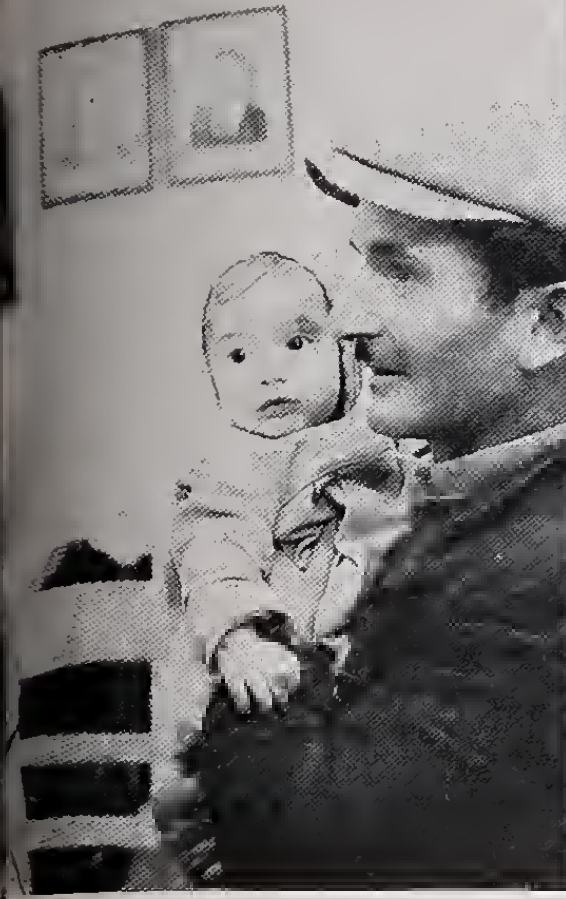
After a life of drudgery, this old lady of Irsina is still bound to the heavy burdens of life. Nor will the lives of the new generation (below) be easy, but the small-farm program has opened the road to greater opportunities for Italy's impoverished farmers.



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Typical of the settlers on Italy's farm projects is this attractive young family, which has just arrived to take possession of their new home. Adjustment is often difficult but the future holds promise.

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Landless farmer in Calabria prepares ground for sowing wheat. If lucky he works 150 days a year, earns about \$250. Below, bulldozer owned by small-farm agency. So far, 4,000 tractors have been bought, 1,650 miles of roads built, and 240,000 acres irrigated.



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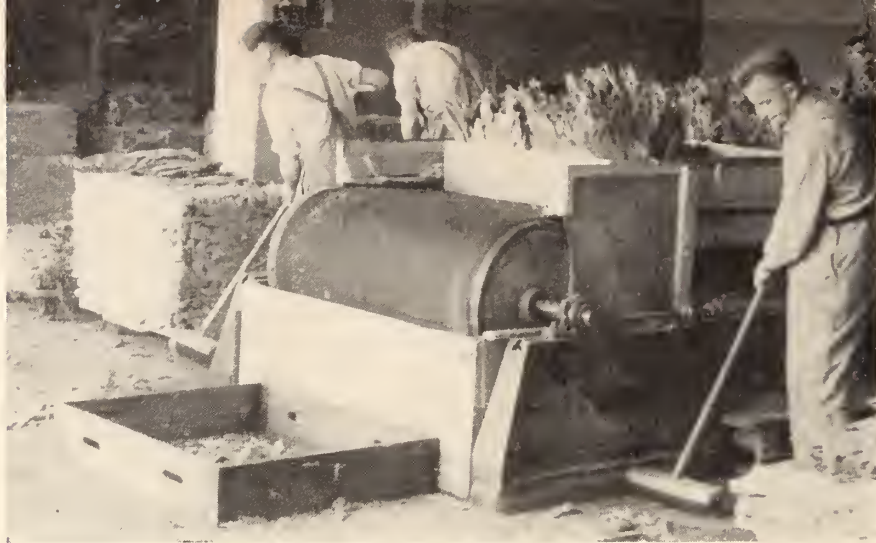
As a TOBACCO marketing specialist, I recently covered an unusually broad sales area—the Far East, with its romance, vast distances, and its many million people of considerably varied culture. The trip entailed traveling some 35,000 miles by air, completely circling the world, and stopping in 25 different foreign countries over a period of 2 months. The countries I worked in were New Zealand, Australia, Indonesia, Singapore, the Republic of the Philippines, Japan, Korea, Taiwan, Hong Kong, and Pakistan.

Tobacco has a most interesting history in the Far East. The tobacco plant, like the rubber plant, was a native of the American continent, but was introduced into the Far East well over a hundred years ago.

The tobacco plant, however, is most sensitive to its environment. Soil, seed quality, methods of cultivation and climate—including length and intensity of daylight and amount of rainfall—all affect the nature of the matured plant. Different areas, therefore, produce definitely different tobaccos. Time has emphasized the differences. And so, over the years, American tobacco has continued to find substantial markets in the Far East; and some Far Eastern leaf—particularly cigar types—has found a market in the United States.

I was agreeably pleased on this trip to find how well the unique flavor and aroma of U.S. leaf has enabled it to keep its grip on these markets, despite the continued increase in tobacco production by competing export countries. There is definite promise, too, for further gains by American leaf in the Far East. The desire for it exists, and exporters are working to sell there. Currently Public Law 480, enacted by Congress to assist with the foreign-currency problem, has been especially helpful. But getting more of our tobacco into most of these countries presents problems that are not easily solved.

International trade is not the simple operation of getting out



In this New Zealand tobacco factory, leaf of various grades is being blended for cigarettes. Most of this is U.S. leaf.

U. S. Tobacco Market in the Far East

The opening of foreign markets to U. S. farm products requires a careful blend of salesmanship, diplomacy, and fact finding. Marketing specialists possessing these abilities are being sent overseas on special assignments by the Foreign Agricultural Service of the U. S. Department of Agriculture. These men are experts in the various aspects of their particular commodity—production, processing, grading, marketing.

One such marketing specialist is Mr. Owen, who recently returned from a trip through the Far East on behalf of American tobacco. He found his assignment involved dealing with many different and colorful kinds of people, with scores of varied business approaches, and even with the many diverse governments themselves.

By ROBERT A. OWEN
Director, Tobacco Division, FAS

the mail order catalog annually with the resulting regular cascade of orders by post. And it has not been so for a long time. For most items, import duties are adequate controls over the volume of trade. But for items like leaf tobacco—much in demand and hard to replace—the importing governments must devise stronger controls. One reason for doing this is the large drain of such imports on their foreign currency assets. Another might be the desire to sell more

of the local product, if the importing country is trying to increase its own output. Further, there is the additional income that comes from additional duties and taxes.

For U.S. tobacco, many such trade barriers exist in Asia. *Import licensing*, used by Indonesia and India, limits purchases of U.S. leaf; India also uses this method as an export aid, to facilitate purchases of goods from countries that guarantee to buy Indian leaf. *Preferential tariffs* are used by Aus-



Australia packs its leaf tobacco in 500-pound wooden crates like these. The United States uses large wooden casks of about 1,200 pounds gross weight.

ustralia, in favor of Southern Rhodesian leaf; by Hong Kong, in favor of all British Commonwealth leaf; and by Pakistan, in favor of Indian leaf. *Mixing regulations* encourage the use of domestic leaf in Australia, Indonesia, New Zealand, and Pakistan. A *purchase agreement* guarantees that Australia will take a minimum share of the Southern Rhodesian crop. An *import quota* limits Philippine purchases of unmanufactured leaf (mostly from the United States). It is a truly formidable and discouraging list.

Some of the answers to the questions I asked on my Asian trip are listed in the sections that follow.

New Zealand

Visitors often comment that the New Zealanders seem more British than the British themselves. It follows that the smoking habits are similar, even to the use of many of the same brand names. The cigarette smokers demand a high-quality cigarette. As a consequence 60 percent, or 6½ million pounds, of the tobacco used here is imported from America. The domestic leaf that is used here has fair quality but is lacking in aroma.

The land area suitable for tobacco cultivation is very small; New Zealand consists of two long narrow mountainous islands and is predominantly a sheep-raising country. Therefore, there is little likelihood of either a substantial

increase in the locally grown leaf or a decrease in the quantity of U.S. leaf imported. Sales of cigarettes are increasing slowly.

Australia

Much of Australia is desert; soil and climate suitable to tobacco production are scarce. And labor is short. If Australia is to get the leaf tobacco it needs to meet consumer demand, it must import for years to come. Consumers follow the British taste for flue-cured cigarettes of high quality. America is at present furnishing 65 percent, or 25 million pounds, of the tobacco leaf imported. However, Australia's exports have declined, and the resulting shortage of foreign exchange has created resistance to the active marketing programs of other countries, including the United States.

Indonesia

This new republic has held a short and turbulent jurisdiction over thousands of very mountainous islands covering a vast area of several million square miles. The population of nearly 80 million people has a new, great, and unfilled demand for cigarettes, particularly those made of flue-cured tobacco. A large producer of high-grade cigar tobacco in the prewar years, Indonesia exported 100 million pounds annually, mostly to Europe. But cigar leaf production fell off after the Japanese invasion, and may never fully recover. Local production of flue-cured leaf, though increasing, is still insufficient in both volume and quality. After the war, imports—mostly from the United States—jumped sharply to 16 million pounds in 1953 and in 1954. Then currency problems brought on import restrictions which practically stopped all imports.

Japan

Japan is one of the world's largest consumers of cigarettes, and grows most of its own tobacco. A relatively small percentage of very high-grade cigarettes is consumed in Japan. For these the govern-

ment monopoly, which operates the tobacco factories, imports regularly about 6 million pounds of the highest grade U.S. flue-cured leaf. Demand for these more expensive cigarettes has recently fallen off, and a major switch to the blended cigarette is developing. However, strong measures taken by the monopoly to recover these lost sales are encouraging for American leaf imports.

Korea

Korea has always been relatively self-sufficient in leaf tobacco and has now nearly recovered the production capacity it lost during the Korean war. The leaf is low-grade, however, and substantial amounts of U.S. tobacco could be used if the very serious foreign exchange problem could be surmounted. The Korean Army—previously supplied by the U.S. Army—is a new customer.

Taiwan

The Republic of China has an efficient tobacco monopoly supplying most of its own leaf. Some U.S. tobacco is purchased for flavor, but foreign exchange is very short.

Hong Kong

This very small British colony has the only free currency exchange in the Far East. With a relatively large and prosperous population—even considering the numbers of refugees it has—it consumes and exports a substantial number of cigarettes. No tobacco is grown here; nearly 4 million pounds of U.S. tobacco leaf are imported per year. Large imports of U.S. Burley keep pace with the rising demand for the blended cigarette.

Pakistan

After separation from India, this country was very short of tobacco products. Bidis, a hand-rolled type of smoke made of a very strong leaf, were made in India where the leaf was grown. Cigarette factories have been established in Pakistan, and production of leaf is on the increase. Some U.S. leaf is imported but severe foreign currency problems restrict the amount.

First Poultry Agreement For Foreign Currency Signed With West Germany



Dr. Albert F. Ernecke (left), Commercial Counselor of the Embassy of the Federal Republic of Germany, and U.S. Assistant Secretary of State Livingston T. Merchant sign the 1.2-million-dollar poultry agreement, in the presence of Earl L. Butz, Assistant Secretary of Agriculture.

Approximately 1.2 million dollars worth of U.S. frozen chickens and turkeys will be sold to importers of the Federal Republic of Germany for deutschemarks—German currency—under the Agricultural Trade Development and Assistance Act of 1954 (P. L. 480).

The Federal Republic of Germany is the world's largest importer of poultry products. The agreement, which was signed on December 23, not only introduces U.S. poultry into this market but opens the way for other U.S. agricultural commodities since the bulk of the deutschemarks accruing from the poultry sales will be used for the development of additional markets. Sales under this program will be made by private traders.

"This is the first agreement to be signed with a foreign government providing for the sale of poultry for foreign currency," explained Earl L. Butz, Assistant Secretary of Agriculture, at the signing ceremony.

"Since the U.S. poultry industry is operating at a very high level with reasonable prices prevailing for its products, representatives of the poultry industry have been working closely with the U. S. Department of Agriculture for the past several months to find and develop new markets beyond the boundaries of the United States for chickens and turkeys. This agreement, permitting us to introduce our products to the world's largest importer of poultry, is the result of our mutual efforts."

USSR Ups Corn Acreage

The much-publicized visit of Russian seed-corn buyers to the United States highlights one of the most striking differences between the American agricultural economy and that of the USSR.

In the United States, corn is grown on more acres than any other single crop. It is the Nation's highest yielding major crop and has been the basis of its livestock industry, especially hog raising. While U.S. corn production has been going up, the total number of acres devoted to it has decreased.

Until this year, Russia had never grown corn on more than about 10 million of its 400 million acres under crops. The average yield has been less than half the average U.S. yield of nearly 40 bushels.

Last summer the Russians quadrupled their corn acreage. By 1960, they claim, corn plantings will be expanded to 70 million acres, only 10 million acres less than the United States has in corn. Their stated purpose is to solve their constant forage shortage, which hampers the growth of their livestock industry.

The 1955 plantings were made in numerous regions and displaced other feed grains and summer fallow. Students of Russian agriculture say that many of the regions in which corn was planted are too cold or too dry. Much of this new Russian corn was to be harvested for silage, before reaching maturity, or used for green forage. Russia has no Corn Belt similar to that of the United States, with its unique combination of climatic and soil conditions.

In this first year, crop conditions in the USSR have been spotty—good in the south and bad in the east and northwest. Farmers were reportedly less than enthusiastic about growing corn, which requires much more labor than the crops it is displacing and for which they have little know-how. Cultivation and harvesting difficulties were reported throughout the country.

An 'Ill Wind' Helps Mexican Agriculture

The tropical hurricanes that battered both of Mexico's coasts from July until fall caused floods and severe crop damage in some areas. But the heavy rains they brought benefited even greater areas. Storage reservoirs throughout the country are filled. A good supply of water for next year's irrigated crops is assured. This will probably mean bumper crops of wheat and cotton.

So next year promises to bring even stronger Mexican competition in world cotton markets.

Mexico became Japan's second largest supplier (the U.S. was first) in 1954. This year, with U.S. sales to Japan decreasing, Mexico has been selling more cotton than ever in that market.

In Canada, which for years has bought about 80 percent of its cotton from the United States, the Mexican price advantage now threatens to force U.S. cotton out. Mexican staple is 3¢ to 6¢ per pound cheaper than comparable U.S. grades. Montreal trade sources report that Canadian cotton mills are buying their requirements for several months ahead from Central America and Mexico. They report that for the first half of the current season (Aug.-Jan.) U.S. staple will account for less than 40 percent of the total Canadian consumption and that this might fall below 20 percent before the year is up.

In wheat, Mexican production is catching up to the rapidly increasing consumption and the nation is fast approaching self-sufficiency. In 1953-54, the United States sold Mexico more than 6,500,000 bushels of wheat; in 1954-55—only 163,000 bushels. Mexican purchases until the next crop comes in April may be as high as 4,000,000 bushels, because Mexico started this crop year with very low stocks. But with only 250,000 more irrigated acres planted to wheat, Mexico could meet all its needs.

More Food To Go To Hungry People Throughout World

Secretary of Agriculture Ezra Taft Benson (center) demonstrates a miniature combine harvester to Msgr. Edward Swannstrom, executive director, Catholic Relief Services (right), and R. Norris Wilson, executive director, Church World Service, at a wheat exhibit in the U.S. Department of Agriculture building, shortly after making the announcement that wheat, corn, rice, and dry beans will be made available to U.S. charitable agencies for foreign and domestic relief use.

To the U.S. surplus food commodities being distributed to needy persons abroad have now been added four more basic foods—wheat, corn, rice, and dry beans.

This decision to expand the U.S. food distribution program was announced before Christmas by Secretary of Agriculture Ezra Taft Benson before representatives of U.S. charitable agencies which are currently distributing this food in foreign countries.

"This is a further important step," said Secretary Benson, "in our program to benefit farmers and others in this country, as well as to help our friends overseas. Increasing the distribution of these products will serve to provide needed food to the hungry throughout the world from our U.S. surpluses.

"The distribution will continue to be made through the U.S. welfare agencies, 18 of which are currently distributing food in 67 countries abroad. These foods will continue to be distributed overseas with full recognition of their American origin."

While the four products are expected to greatly increase relief shipments abroad, in this country wheat and corn are the only new ones to be made available to the U.S. school lunch program and other eligible outlets; rice and dry beans are already being distributed



through these outlets. In the fiscal year of 1955, 1,034.3 million pounds of food were distributed—541.9 million pounds abroad and 492.4 million pounds in the United States. Estimated shipments for 9 months of the fiscal year 1956 have already surpassed these figures for overseas relief by 10 million pounds. Under the expanded program, U.S. contributions to needy persons all over the world will reach unprecedented proportions.

This action to include the four basic foods is taken under the Agricultural Act of 1949, as amended by the Agricultural Trade Development and Assistance Act of 1954 (Public Law 480). In addition to the cost of the commodities, the Commodity Credit Corporation will pay for packaging, transportation to shipside, handling, and other charges. The relief organizations are responsible for shipment and distribution abroad. This program will continue in effect until such a time as any or all of the commodities can be disposed of in normal domestic channels, or until they can be sold abroad.

Two Farm Organizations List Export Policies

Foreign policy and trade objectives of two of the national farm organizations, the National Grange and the American Farm Bureau Federation, recently were expressed at annual national meetings. It is regretted that space limitations prevent carrying the entire statements. Selected portions follow.

National Grange

Unless there is a major change in U.S. agricultural policy—of a kind that will make our own export crops more nearly competitive in price, according to quality on the world market—there is every likelihood that booming production will continue, and perhaps expand, over much of the world. Steadily, other nations that once bought the produce of American farms are expanding their own agriculture—either to attain a greater degree of self-sufficiency, or to expand their own foreign trade. As long as we in the United States continue with policies that price our products out of the world market, there is every reason to expect other nations to move in and attempt to take a larger, and ever larger, share of the market that once was ours. . . .

American farmers have made painful and costly adjustments, almost alone, to try to meet the peacetime patterns of production and demand within the world. Cotton acreage has been reduced from 25 million acres to 17 million acres, a reduction of 32 percent. Wheat acreage has been cut from 78 million to 55 million, a reduction of 29 percent. Rice acreage has been cut from 2.2 million to 1.8 million for a reduction of 18 percent. At the very same time, price levels of these commodities in America have dropped by highly significant amounts. This, of course, is the major factor in reduced U. S. farm income. . . .

Actually, using 1915-49 averages, the acreages in wheat in competing export countries have increased by 12 percent. The acreages in cotton, in cotton exporting countries, have increased from 20.6 million to 30.6 million for a 49 percent increase. The acreage in rice—the world's major cereal crop—has increased by 11 percent.

Is it not high time that American farmers insistently ask how long they alone shall be expected to make adjustments for the world? Is it not time to say—and say firmly, so that the world as a whole understands exactly what we mean—that American farmers intend to compete for a fair and equitable share of the world markets on the basis of efficiency?

We will not be guilty of ruthlessly destroying the international market, even in the face of our present shrunken place in that market, but we *will* be competitive. . . . We firmly believe that such a program is a vitally necessary part of any sound American foreign policy.

. . . [We] enter the new year in a world that is still restless—still far from peace—but in which we can expect to build back markets for our farm products *if* we reemphasize the importance of world commerce and recognize that it must be carried on equitably as a two-way operation. At the same time we must be willing to try out new trade devices, such as the tariff drawback, which promises to diminish barriers and stimu-

late commerce between friendly nations. It is in this manner that we will hasten the day of full convertibility of currencies and expanded markets—both for ourselves and for our customers. (From address of Herschel D. Newsom, Master.)

Farm Bureau

The expansion of international trade on a mutually advantageous basis is of vital importance to the prosperity and security of the United States and cooperating nations. Our national welfare is so much affected by what happens in the international field that we cannot afford to continue to deal piecemeal and on an unrelated basis with trade policies, foreign investments, technical assistance, and international defense measures. . . . One of the most important tasks facing the United States in the field of foreign economic relations is to balance the domestic economy by increasing the volume of exports of agricultural products through sound foreign trade relationships. Congress and the executive department of government should (1) establish a clear-cut, long range policy on foreign economic relations and trade which includes the export and sale through private trade of the maximum quantities of farm products, and (2) consistently maintain that policy.

. . . To expand export markets for farm products we must be prepared to deliver quality products, competitively priced and vigorously merchandised in markets where customers have the ability and continuous opportunity to earn dollars to pay for these products.

U.S. farm products should be known around the world for their high quality. . . . We, therefore, recommend action to improve the quality of U.S. farm products exported, including regulations, procedures, and trade practices.

U.S. farm products must be competitively priced to encourage vigorous merchandising by private

trade. . . . We urge immediate and thorough consideration of measures to achieve competitive prices for surplus farm products.

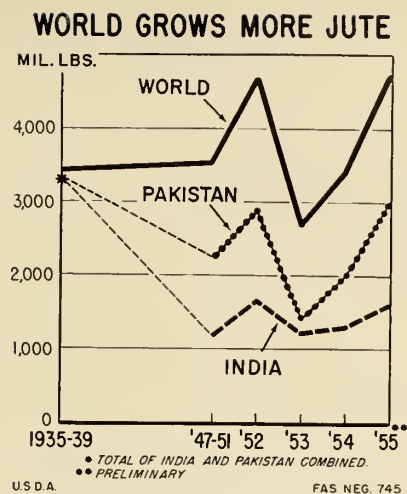
. . . We oppose cargo preferences to United States flagships which (1) impair the competitive sale of U.S. farm products in foreign markets and (2) require U.S. agriculture to bear a disproportionate share of the burden of subsidizing the U.S. merchant marine.

All government pricing and other policies should encourage maximum use of the great resources and facilities of private traders to sell U.S. farm products throughout the world. Market information, credit, and services of the Departments of Agriculture, State and Commerce should be geared to aiding in the export of agricultural commodities. We urge that agricultural colleges and the Agricultural Research Administration cooperate on research to improve the handling, shipment, use, and marketing of farm products in foreign markets.

The agricultural attachés are in a position to provide valuable assistance to developing exports. . . . We recommend adequate financial support for the Foreign Agricultural Service to enable it to attract competent personnel and allow sufficient funds to enable them to do their job in all important foreign markets. This will greatly facilitate the collecting, evaluating, and disseminating of agricultural information and service to those interested in the export of agricultural commodities.

We recommend that U.S. farm products be offered for sale in world markets without regard to destination whenever it will advance the welfare and freedoms of the people of the United States. . . .

Foreign customers must have the ability and continuous opportunity to earn dollars to buy U.S. agricultural and industrial products. Most developed countries have the ability, or could themselves develop the ability, to pay for increasing imports. Some underde-



Good news for makers of sacks, burlap, twine, and wrapping paper was the December forecast of a 1955 world jute crop even larger than the big 1952 one.

This good crop does not necessarily mean fiber supplies as large as 1952's, for stocks have been pared down by two poor crops in succession. But the world supply situation has improved.

Pakistan, the world's chief jute

producer, controls its jute area by licensing. To cut down the large carryover from its 1952 crop, it limited its jute acreage both in 1953 and in 1954. But in 1954 the acreage was further reduced by bad floods. As a result, the next year's scheduled destruction of unlicensed plantings was halted midway, and a large crop followed. India's 1955 crop, too, was nearly equal to the 1952 one.

In the 1947 partition, Pakistan received most of the jute area; India, all of the jute mills. India imported jute from Pakistan and exported the finished jute manufactures. Since then, however, Pakistan has expanded its milling capacity, and now uses more of its own jute in manufactures; India has expanded its jute acreage, and hopes it can eventually supply its own mills with fiber. Between them, the two countries produce 97 percent of the world's raw jute. Other producing areas consume most of their own raw fiber.

veloped countries need capital and technical assistance to expand their ability to buy increased imports. . . . Primary reliance must be placed on private investment to assist economic development abroad.

Greater emphasis [in technical assistance] should be given to the development of resources and industries, particularly those which complement the economies of other nations, instead of giving primary emphasis to agricultural development.

We believe that economic aid on a grant basis seldom accomplishes its intended purpose. . . . Except in disasters, we recommend that monetary grants be replaced by loans which assure the opportunity to repay the U.S. in goods or services. . . .

We continue our support for the sale and export of farm products through private trade channels in exchange for foreign currencies. . . . The use of currencies should emphasize building continuous foreign markets on a sound basis.

. . . In order to increase and continue the opportunity for customer nations to earn dollars with which to pay for U.S. products, we recommend that the United States use its leadership to bring about realistic trade agreements and trade arrangements among free nations to reduce trade barriers progressively and to expand mutually advantageous private trade.

. . . Under the Agricultural Trade Development Act provisions have been made to assist in financing the development and promotion of markets for and the merchandising of agricultural commodities abroad. We recommend that the American Farm Bureau Federation Board of Directors give special study to this matter and take leadership in establishing a means to (1) explore possibilities for market expansion, (2) promote exhibits of U.S. agricultural commodities in trade fairs, and (3) encourage the use of latest and best merchandising techniques.

World Agricultural Abundance

AT ALLTIME HIGH

THE WORLD HAS the greatest abundance of agricultural products it has ever known. In every major world area, production in 1955-56 is exceeding that of 1954-55, bringing the current world index of crop and livestock production to 119 percent of the 1935-39 figures, as against 117 percent last year.

This is the third consecutive year since prewar that the increase in agricultural output has exceeded the rise in world population. Good growing conditions and many economic factors have favored continuous expansion, which has culminated in ever-mounting world surpluses of wheat and cotton, lesser surpluses of a number of other crops, and moderate surpluses of animal products.

Marketing Problems

A year ago, the somewhat smaller crop production of 1954-55 permitted the liquidation of carryover stocks from the larger production of the two previous years, but the record output of 1955-56 has more than replaced the depletions. Programs for reducing areas devoted to surplus crops have been extended, but are offset to a considerable degree by higher yields and expansion in newer areas. While exports have been encouraged with cuts in prices and export taxes, and grants of subsidies, limited demand for many agricultural products, particularly in deficit areas, has retarded their free movement in world trade.

With regard to U. S. agricultural commodities, since 1948 there has

been increasing world trade in products such as are produced in the United States, with the result that customers abroad are not so dependent upon the United States as they were several years ago. Nevertheless, in the last 2 years the United States has maintained its proportionate position, largely because of the favorable economic situation in foreign markets and the governmental programs to stimulate imports.

Foreign Production by Areas

Latin America: Early prospects for 1955-56 agricultural production in Latin America indicate a slight increase over the previous year, and a level of output about 40 percent above prewar. The principal exports from the area—coffee, sugar, cacao, wheat, corn, and cotton—will probably exceed those of 1954-55.

This increase in agricultural production is not evenly distributed, the northern countries making substantial gains and the southern ones barely maintaining last year's level. Argentine production, for example, may drop below that of last year and reach only 63 percent of the prewar average. The most spectacular increases are in Mexico, where 1955-56 production is almost 20 percent above 2 years ago and more than twice that of 1935-39.

In Central America total production may remain about the same as in 1954-55, with export crops slightly above the previous year. Such crops as corn, beans, and rice may increase, but imports may be required, particularly by El Salvador and Guatemala.

Cuba's output will probably be

maintained or increased slightly, with the sugar crop cut back to approximately 5 million short tons. Colombian production is expected to increase at a relatively slow rate as it has done for the past several years, with the greatest increase in nonfood crops. Coffee production may be up 5 to 10 percent, but cotton and tobacco will be little if any larger than during the previous crop year. Venezuela's production of coffee, cacao, and cotton, on the other hand, may be below the 1954-55 level.

In Brazil, where a general overall increase is expected, coffee is in the lead. However, the wheat crop promises to be the largest on record, with a preliminary forecast of 30 million bushels. Corn production is slightly down, and corn stocks are very low. But the outlook for the rice crop is favorable.

Chile's 1955-56 harvest may be below last year, especially in the output of fruits and grains. Uruguay has a sizable production of both wheat and wool, but has experienced shortages in butter, citrus fruits, potatoes, and corn. Peruvian cotton production is expected to show a decline of 5 percent from the record production of a year ago, but sugar production may increase by more than 5 percent.

British Commonwealth: The output of agricultural products continues to rise but not as rapidly as during the 1947-52 period. Barring unforeseen weather conditions a relatively high level of production throughout the British Commonwealth may be expected for 1956 for food, fibers, and tobacco; increasing quantities of wheat and flour, feed grains, wool, tobacco, and certain fruits will be available for export. Domestic demand may take care of increased output of meats, dairy products, and poultry.

In Canada total crop and livestock production was substantially above the previous year. The ma-

This article is a condensation of the FAS annual report "World Agricultural Situation, 1956."

major problem is the unusually large quantities of wheat and other grains held in stocks at the end of the 1954-55 crop season. Australia also has a problem of surplus wheat, estimated at 150 million bushels.

New Zealand continues to emphasize export of meat, wool, and dairy products, and production is expected to remain high for some years to come. In the Union of South Africa corn exports have increased greatly in the last 2 years and are expected to offer strong competition with U.S. exports during the 1955-57 marketing period. Cotton production in Nigeria reached a record 185,000 bales. Canned fruit production in the Union of South Africa and Australia is steadily increasing and is highly competitive with the U.S. market. Output of fresh and canned citrus fruit is also increasing in the British West Indies, and is a threat to U.S. exports because of trade policies and not because of quantity.

Western Europe: Total agricultural production is indicated to be slightly above 1954-55, despite sharp decreases in a few countries. Crop output was probably one of the largest of the postwar period, with wheat somewhat higher than in 1954. While rye output was lower, feed grains and sugar beets remained about the same as in 1954. In the Mediterranean area, the 1955-56 citrus crop is expected to be large, while olive oil production is well below average. Tobacco in this region showed a slight increase, and cotton a marked rise.

Meat, milk, and eggs in Western Europe are likely to show further increases but not uniformly so. Lower pork production in Denmark and the United Kingdom will be offset by higher output in Germany, France, Italy, and the Netherlands. Both egg and milk output are expected to be higher than last year.

Soviet Union: In spite of government efforts to increase agricul-

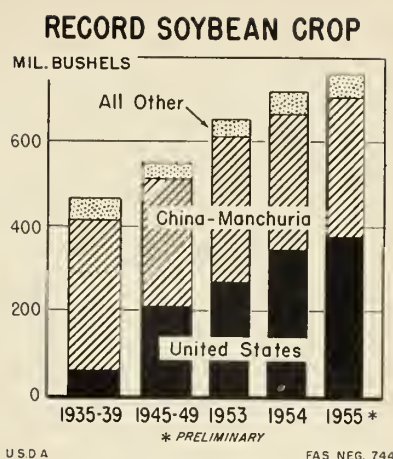
tural production, the 1955 Soviet harvest showed only some improvement over the mediocre 1953 and 1954 harvests. Indications point to larger crops of wheat, corn, oilseeds, and sugar beets, and there is also some evidence of an increase in the country's output of dairy and other animal products. A cotton crop as large as in 1954 or larger is expected.

Eastern Europe: Food production in Eastern Europe in 1955-56 is indicated to be somewhat higher than during 1954-55. The grain harvest in general was better than in the previous year: the Danube Basin and Poland had excellent crops, although the output in Eastern Germany and Czechoslovakia seems to be at, or slightly below, the average postwar level. In all countries the sugar beet harvest is good, but potatoes, particularly in Poland and East Germany, fell to a low level. On the other hand, livestock production appears to be the highest of any postwar year. In spite of this increased production, the food situation throughout Eastern Europe remained precarious.

Information from Yugoslavia indicates that the 1955 harvest, while not up to the good level of 1953, is much above the poor year of 1954.

Middle East: Agricultural production in the Middle East in 1955-56 appears to be slightly higher than during the previous year, but below the 1953-54 level. In all countries of the area, except Turkey and Iran, wheat and total grain production was lower than in the preceding year. Each of these countries, as well as Israel, is expected to be a net importer of wheat during 1956, in contrast with the previous year when Jordan was self-sufficient and Iraq and Syria had relatively substantial export availabilities. Barley production increased substantially, rice output was slightly lower—except in Egypt—and corn remained at about the 1954-55 level.

Cotton and tobacco are the principal nonfood crops in the Middle



The world is growing more soybeans than ever before. Latest estimates indicate a 1955 crop of 760 million bushels. The record U.S. crop accounts for two-thirds of the world increase from 1954 and the crop in China and Manchuria, for over a fifth. In the China-Manchuria area, however, the crop is still not as large as prewar ones.

In the U.S. "soybelt," drought and high heat cut the yield somewhat. But the acreage set a record, because of continued restrictions on the planting of corn, wheat, and cotton, with resulting diversions of land to soybeans. A 371-million-bushel crop of soybeans was harvested, and export prospects for beans and oil are good.

East, and the area's total production of both crops is high—Egypt's estimated cotton production being 13 percent larger than the previous year's crop. The area also recorded increases in the production of pulse crops, sugar, tobacco, and citrus fruits, but showed significant declines in the nut and noncitrus fruit crops.

India, Pakistan, and Ceylon: Total agricultural production in these three countries is expected to establish a new record in 1955-56. India's rice harvest is believed to be the second best on record, Pakistan's is larger than in 1954-55, and in Ceylon, where rice is the only food grain grown, the harvest will probably top all previous high levels. Even at that, Ceylon

can supply only a little over half of its rice requirements.

In India the 1955-56 wheat harvest will exceed the 1954-55 crop. Sugar production is up substantially in India and Pakistan, largely as a result of government efforts. Pulses, which are an important element in the diet of the people of South Asia, are slightly down this year while oilseeds, fruits, and vegetables show no important changes from the previous year's level.

Little change in cotton harvests is in prospect in either India or Pakistan.

In spite of flood damage in East and West Bengal, jute production is above the 1954-55 crop. The year's tea harvests in India and Ceylon are expected to be slightly larger than last year, and that in Pakistan, slightly smaller. Ceylon's copra may well be above last year's production. Rubber in Ceylon will not show much change, nor will the tobacco and pepper crops in India.

Southeast Asia: This area is the world's principal supplier of rice, rubber, copra, and abacá. In 1955 production of rice and copra was considerably above that of the previous year, rubber output was practically unchanged, and abacá production was somewhat lower.

In the rice-exporting countries of Burma, Thailand, and Indochina total 1955-56 production is estimated at 15 million short tons, compared with 13.6 million last year, which will mean approximately 3.5 million tons for export in 1956. Of the rice-importing countries in this area, the Philippine Republic is approaching self-sufficiency, but both Malaya and Indonesia will have to import substantial portions of their requirements.

Northeast Asia: Total agricultural production in Japan, South Korea, and Taiwan in 1955 was well above the good 1954 outturn. In Japan, the principal U.S. export market in Asia, production reached an alltime high, and new records were set for numerous crops, in-

cluding the most important one—rice. Yet, in spite of this excellent harvest, Japan will buy from the United States large quantities of rice, wheat, barley, tobacco, tallow, and soybeans; and, from the whole dollar area, 675,000 bales of cotton and 10,000 bales of wool.

U. S. Rice

(Continued from page 4)

Outlook for U.S. Rice Exports

The Asian countries are the heaviest importers of rice, and the ability to export rice to this large rice-consuming area is the key to the problem of maintaining or increasing U. S. rice exports. Any material increase in the world rice trade—and in turn, U. S. trade—will come from (1) a shift from other cereals to rice, (2) the building of larger government stocks in importing countries as the result of favorable prices, and (3) increased consumption because of lower retail prices and/or higher national incomes.

With regard to the first of these factors, it has been noted that in areas where rice rationing has ended and increased rice supplies have become available at a lowered price, rice consumption has increased and the use of wheat decreased. If reserve stocks are augmented this year and rationing controls removed in any of the large Asian importing countries, a similar return to the prewar pattern of rice consumption would boost world rice sales.

The second decisive factor is the size of government stocks. India has a rice reserve of over 1 million tons, while Hong Kong, Malaya, and Singapore maintain reserves as a matter of policy. Lowering of prices and granting of special concessions on the part of exporting governments may influence some of the importing countries to build up reserves which, on a falling market, have been allowed to diminish.

Lastly, there is a trend—not sharp but still definite—toward larger rice consumption, not only in countries where rice is a staple food but also in countries which, owing to the world shortage, had refrained from using rice in their secondary diets. Possibilities for increased consumption are greater in importing countries where retail prices seem to be declining the fastest.

In any event, U. S. rice exports are expected to be materially higher in 1955-56 (August-July) than during the previous year, partly because of a delay in shipments under surplus disposal programs entered into before the beginning of this marketing year. It is also probable that these shipments will be increased under additional surplus programs negotiated in 1956. But the outlook for any increase in commercial sales of U. S. rice is not as bright. A substantial proportion of world trade is now moving at levels somewhat below U. S. domestic prices. Should world prices in 1956 decline below present levels—as there is some indication they may—U. S. commercial exports from the 1955 crops may be further reduced.

Future of IAPI

(Continued from page 7)

A free market for foreign exchange has also been opened, in which the rate is to vary with demand and supply, replacing the former officially controlled free market where the rate has been pegged at about 14 pesos to the dollar since August 1950.

However, regardless of whether Argentine trade operates under the monopolistic practices of the past or through freer trade channels, the United States and other exporters of agricultural products will continue to face significant Argentine competition in the export market.



El Salvador to Buy White Corn from U. S.

For the second year in succession El Salvador will not have enough of its basic food crop, white corn. The deficit amounts to approximately one-fourth of the country's annual requirement. As a result, orders for 42,500 tons of white corn to ease the anticipated shortage have been authorized by the corn supply control board, the Instituto Regulador de Cereales y Abastecimientos. They will undoubtedly be placed with U.S. commercial firms as they were last year.

The tortilla made of white corn is the fundamental twice-a-day dish of most Salvadorans. So accustomed are they to this diet that any shortage in the white corn supply could very easily have serious consequences. Thus the government is concerned with placing future orders now to insure a steady flow of imports. The deficiency in the present crop year has been attributed to an increasing population, bad weather, and a tendency for corn growers to switch to cotton for a higher profit.

Iraq Halts Wheat Price Spiral Through Imports

The Government of Iraq has successfully halted inflationary wheat prices by importing wheat from Australia and Turkey. Plans for further wheat imports, this time from the United States under Public Law 480, have been stopped as a result of the price stabilization.

Wheat prices in Iraq rose abruptly last summer when a severe spring drought cut wheat production by 40 percent, and growers began hoarding.

To curtail speculation by inducing domestic hoarders to put their stocks on the market, the Iraqi Government last June announced its intention of buying foreign wheat and removed the import duty on it for 9 months. A direct purchase of some 25,000 tons of Australian wheat in August resulted in a prompt 10-percent drop in local wheat prices. Subsequent purchases from soft-currency areas, including 18,000 tons from Turkey as well as unknown quantities brought in by private importers, have stabilized the Iraqi wheat market, and have stopped plans for U.S. purchases.

Iraq's annual wheat consumption is an estimated 490,000 tons, according to the Ministry of Agriculture; but trade circles consider the figure somewhat generous. Forecasts for wheat in 1956 indicate a harvest of over 700,000 tons.

Adverse Weather Cuts Foreign Cotton Crop

Heavy rains and storms in various parts of the world have reduced world production of cotton for 1955-56 by more than 100,000 bales below the estimates of September 1955.

In India the drop is estimated at 200,000 bales, Pakistan 100,000 bales, Turkey 55,000 bales, and Nicaragua 50,000 bales. Since all of these countries, except India, are important exporting countries this may mean that importing countries will have to turn to the United States for a larger part of their cotton imports than was anticipated. The decline in the Indian cotton harvest will also be felt in the export market, for the principal area affected grows a short staple, harsh cotton used for export.

Foreign Farm Press and Radio Folk View Their U. S. Colleagues



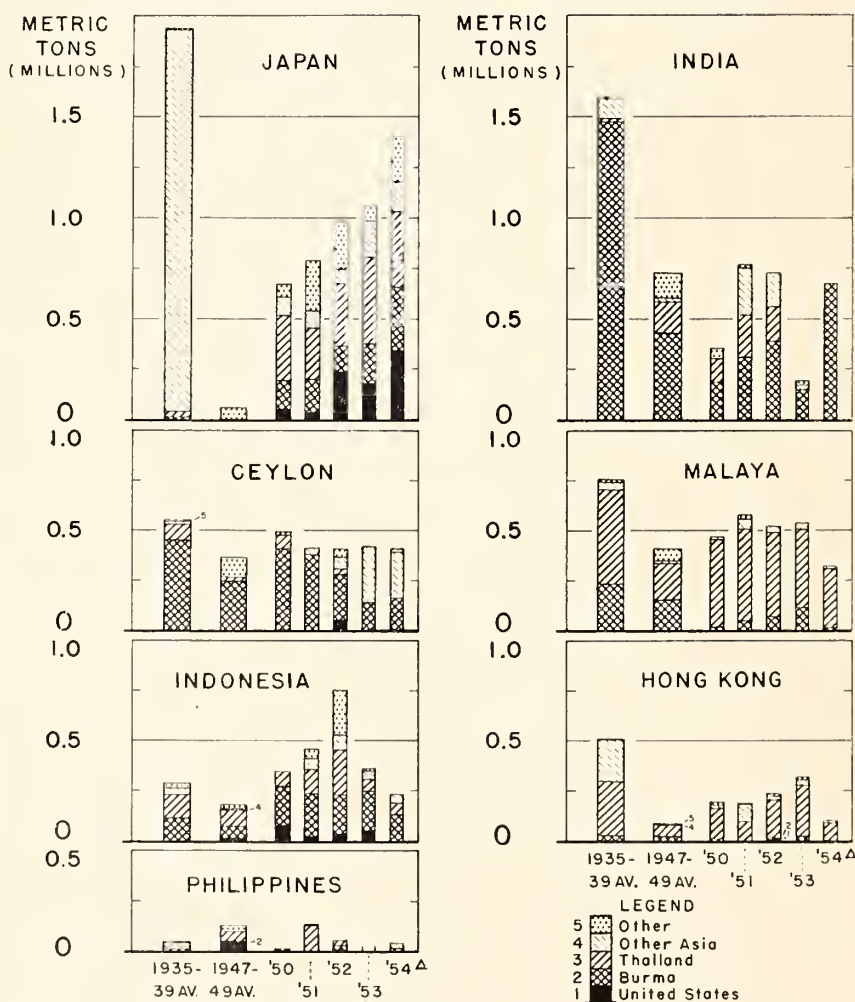
In December 1955, eight representatives of press and radio from Colombia, Norway, Peru, and the Republic of the Philippines completed a study tour of U.S. agricultural press and radio that had taken them to 12 States and lasted for 11 weeks.

This training course was a joint project of the International Cooperation Administration and the U.S. Department of Agriculture.

On the tractor at left is H. M. Graham, owner of a Grade A dairy farm near Jefferson City, Mo., which the group is visiting. Standing on the wagon are José Caceras of Peru; interpreters Barbara Huntley and Joyce Brandt; and Ismael Collazos of Colombia. Seated or kneeling are Ramon Franky of Colombia, Mrs. Luzmila de Ochoa of Peru, Mrs. Graham, Kaare Singaas of Norway, Ricardo Chaves of Colombia, and Mario Miglio of Peru. Missing from the picture is Leopoldo Dondiz of the Philippine Republic.

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